

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

B

WS-02156A
Rio Verde Utilities- Water ~~Service~~ Division
25609 Danny Lane, Ste 1
Rio Verde AZ 85263

APR 15 2005

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
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FOR COMMISSION USE

ANN05	04
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COMPANY INFORMATION

Company Name (Business Name) Rio Verde Utilities, Inc.

Mailing Address 25609 N Danny Lane, Suite 1
(Street)

Rio Verde
(City)

AZ
(State)

85263
(Zip)

(480) 471-7247

(480) 471-7636

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address rioverde@cox.net

Local Office Mailing Address same

(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address same

MANAGEMENT INFORMATION

Management Contact: Jim Thomson Vice-President
(Name) (Title)

25609 N Danny Lane, Suite 1
(Street)

Rio Verde
(City)

AZ
(State)

85263
(Zip)

(480) 471-7247

(480) 471-7636

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address rioverde@cox.net

On Site Manager: Michael L Kleminski

(Name)

25609 N Danny Lane, Suite 1
(Street)

Rio Verde
(City)

AZ
(State)

85263
(Zip)

(480) 471-2728

(480) 471-7636

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Jim Thomson

(Name)

25609 N Danny Lane, Suite 1

(Street)

Rio Verde

(City)

AZ

(State)

85263

(Zip)

(480) 471-7247

Telephone No. (Include Area Code)

(480) 471-7636

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: Richard Sallquist

(Name)

4500 S Lake Shore Dr, Suite 339

(Street)

Tempe

(City)

AZ

(State)

85285

(Zip)

(602) 224-9222

Telephone No. (Include Area Code)

(480) 730-0761

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☒ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME Rio Verde Utilities, Inc. Water Division

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	1,380		
302	Franchises			
303	Land and Land Rights	176,512		
304	Structures and Improvements	33,133		
307	Wells and Springs	2,145,196		
311	Pumping Equipment	952,643		
320	Water Treatment Equipment	12,184		
330	Distribution Reservoirs and Standpipes	362,574		
331	Transmission and Distribution Mains	2,548,306		
333	Services	275,601		
334	Meters and Meter Installations	128,312		
335	Hydrants	183,259		
336	Backflow Prevention Devices	-		
339	Other Plant and Misc. Equipment	-		
340	Office Furniture and Equipment	-		
341	Transportation Equipment	32,343		
343	Tools, Shop and Garage Equipment	11,964		
344	Laboratory Equipment	7,917		
345	Power Operated Equipment	-		
346	Communication Equipment	64,497		
347	Miscellaneous Equipment	-		
348	Other Tangible Plant	122,316		
	TOTALS	7,163,142	1,998,788	5,164,354

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME *Rio Verde Utilities, Inc**Water Division***CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	1,380		
302	Franchises	-		
303	Land and Land Rights	176,512		
304	Structures and Improvements	33,133		
307	Wells and Springs	2,145,196		
311	Pumping Equipment	952,643		
320	Water Treatment Equipment	12,184		
330	Distribution Reservoirs and Standpipes	362,574		
331	Transmission and Distribution Mains	2,548,306		
333	Services	375,601		
334	Meters and Meter Installations	128,317		
335	Hydrants	183,259		
336	Backflow Prevention Devices	-		
339	Other Plant and Misc. Equipment	-		
340	Office Furniture and Equipment	-		
341	Transportation Equipment	37,343		
343	Tools, Shop and Garage Equipment	11,964		
344	Laboratory Equipment	7,917		
345	Power Operated Equipment	-		
346	Communication Equipment	64,497		
347	Miscellaneous Equipment	-		
348	Other Tangible Plant	122,316		
	TOTALS	7,163,142	3.064119%	168,926

This amount goes on the Comparative Statement of Income and Expense
Acct. No. 403.

COMPANY NAME *Rio Verde Utilities, Inc.* *Water*

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 16,611	\$ 40,529
134	Working Funds		
135	Temporary Cash Investments	702,592	1,021,619
141	Customer Accounts Receivable	101,009	99,060
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	1,062	1,583
162	Prepayments	85,398	31,795
174	Miscellaneous Current and Accrued Assets	208,332	224,544
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1,115,004	\$ 1,419,130
	FIXED ASSETS		
101	Utility Plant in Service	\$ 7,136,568	\$ 7,163,142
103	Property Held for Future Use	293,513	293,513
105	Construction Work in Progress	297,475	335,007
108	Accumulated Depreciation – Utility Plant	< 1,785,159 >	< 1,998,788 >
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 5,944,397	\$ 5,792,874
	TOTAL ASSETS	\$ 7,059,401	\$ 7,212,004

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME

Rio Verde Utilities, Inc

Water Division

BALANCE SHEET (CONTINUED)

Acct No.	LIABILITIES	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	\$ 122,658	\$ 52,482
232	Notes Payable (Current Portion)	67,313	72,437
234	Notes/Accounts Payable to Associated Companies	22,974	-
235	Customer Deposits		
236	Accrued Taxes	7,341	33,546
237	Accrued Interest		7571
241	Miscellaneous Current and Accrued Liabilities	500	-
	TOTAL CURRENT LIABILITIES	\$ 231,766	\$ 171,036
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 1,660,406	\$ 1,590,160
	DEFERRED CREDITS		
252	Advances in Aid of Construction	\$ 124,944	\$ 133,088
253	Other Deferred Credits		
255	Accumulated Deferred Investment Tax Credits	24,512	22,068
271	Contributions in Aid of Construction	1,446,924	1,470,924
272	Less: Amortization of Contributions	(324,978)	(369,682)
281	Accumulated Deferred Income Tax	256,561	214,740
	TOTAL DEFERRED CREDITS	\$ 1,477,963	\$ 1,471,138
	TOTAL LIABILITIES	\$ 3,370,135	\$ 3,232,334
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 1,412,364	\$ 1,412,364
211	Other Paid in Capital		
215	Retained Earnings	2,276,902	2,567,306
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 3,689,266	\$ 3,979,670
	TOTAL LIABILITIES AND CAPITAL	\$ 7,059,401	\$ 7,212,004

COMPANY NAME Rio Verde Utilities, Inc. Water Service

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 1,189,499	\$ 1,226,258
460	Unmetered Water Revenue		
474	Other Water Revenues	33,202	44,042
	TOTAL REVENUES	\$ 1,222,802	\$ 1,270,300
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 109,284	\$ 115,624
610	Purchased Water	61,477	61,331
615	Purchased Power	127,113	143,314
618	Chemicals	947	1,931
620	Repairs and Maintenance	102,405	95,421
621	Office Supplies and Expense	4,719	5,205
630	Outside Services	62,135	62,095
635	Water Testing	10,396	8,731
641	Rents	-	-
650	Transportation Expenses	4,387	6,683
657	Insurance - General Liability	21,086	21,000
659	Insurance - Health and Life	8,693	9,925
666	Regulatory Commission Expense - Rate Case	10,000	3,333
675	Miscellaneous Expense	12,771	11,615
403	Depreciation Expense	168,528	168,926
408	Taxes Other Than Income	10,854	9,164
408.11	Property Taxes	25,740	27,600
409	Income Tax	103,154	146,021
	TOTAL OPERATING EXPENSES	\$ 853,689	\$ 897,919
	OPERATING INCOME/(LOSS)	\$ 369,113	\$ 372,381
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 11,805	\$ 19,650
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	< 105,011 >	< 101,627 >
	TOTAL OTHER INCOME/(EXPENSE)	\$ < 93,206 >	\$ < 81,977 >
	NET INCOME/(LOSS)	\$ 275,907	\$ 290,404

COMPANY NAME Rio Verde Utilities, Inc Water Division

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	12/05/01	12/31/96		
Source of Loan	CoBank	Second AZ Rio Verde Co		
ACC Decision No.	63585	59392		
Reason for Loan	Plant Expansion	Plant Expansion		
Dollar Amount Issued	\$ 1,290,389	\$ 600,000	\$	\$
Amount Outstanding	\$ 1,180,079	\$ 482,518	\$	\$
Date of Maturity	12/21/2021	12/31/2016		
Interest Rate	variable %	9.8 %	%	%
Current Year Interest	\$ 53,254	\$ 48,373	\$	\$
Current Year Principle	\$ 44,966	\$ 20,157	\$	\$

Meter Deposit Balance at Test Year End \$ 291,905

Meter Deposits Refunded During the Test Year \$ 22,536

COMPANY NAME Rio Verde Utilities, Inc Water Division

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-606073	25	310	145	12	6	62
55-606071	75	750	697	20-16	6	71
55-561190	200	1200	1050	18	12	97
55-506808	10	110	117	16-12	3	84
55-510881	200	950	1050	16	8	85
55-511320	40	380	665	16	6	86
55-519287	200	500	950	16	8/6	87
55-561226	400	2000	1160	16	12	97
55-578746	20	510	200	12	6	00

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Water Exchange SRP/CANCD	NA	91,564

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
30	2	205	
50	1		
300	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
300,000	1	500	
740,000	1		

COMPANY NAME Rio Verde Utilities, Inc.Water Division**WATER COMPANY PLANT DESCRIPTION (CONTINUED)****MAINS**

Size (in inches)	Material	Length (in feet)
2	PVC	1585
3	PVC	6186
4	PVC	57343
5		
6	PVC	71719
8	PVC	72847
10		
12	PVC	22405
8	DIP	553
12	DIP	3234
16	DIP	1844
8	Transite	29084
10	Transite	700
12	Transite	1700

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	
3/4	375
1	1138
1 1/2	6
2	8
Comp. 3	
Turbo 3	
Comp. 4	4
Tubo 4	
Comp. 6	1
Tubo 6	
Comp 8"	2
Comp 12"	4

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:Chlorine Gas Feeders @ Wells 1 & 2**STRUCTURES:**

LAB/OFFICE Building
STORAGE TANKS & Wells 2, 3, 4, 5, 7, 9 are fenced
Wells 1, 6, 8 & Booster Pump have walls

OTHER:

150 KW Generator @ 300,000 STORAGE TANK
75 KW Generator @ Well 2

COMPANY NAME: R. Verde Utilities, Inc.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2004

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD x 1000	GALLON PUMPED (Thousands)
JANUARY	1476	29 279	29 571
FEBRUARY	1477	30 101	30 190
MARCH	1481	48 198	49 343
APRIL	1481	63 197	62 898
MAY	1482	100 331	100 694
JUNE	1491	103 746	98 415
JULY	1503	120 315	121 775
AUGUST	1520	97 088	92 822
SEPTEMBER	1523	73 339	70 999
OCTOBER	1529	79 955	81 903
NOVEMBER	1532	35 659	38 132
DECEMBER	1538	30 426	32 240
TOTAL			808 987

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☒ Yes ☐ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☒ Yes ☐ No

If yes, provide the GPCPD amount: 141 residential 855 non residential

What is the level of arsenic for each well on your system. _____ mg/l

(If more than one well, please list each separately.) W-1 = .010 W-4 = .009 W-9 = .008
W-2 = .008 W-6 = .010

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Rio Verde Utilities, Inc. YEAR ENDING 12/31/2004

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 27,600

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

COMPANY NAME Rio Verde Utilities, Inc.

YEAR ENDING 12/31/2004

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>486,548</u>
Estimated or Actual Federal Tax Liability	<u>165,426</u>

State Taxable Income Reported	<u>521,950</u>
Estimated or Actual State Tax Liability	<u>36,269</u>

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>-</u>
Amount of Gross-Up Tax Collected	<u>-</u>
Total Grossed-Up Contributions/Advances	<u>-</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

4/13/05
DATE

Jim Thomson
PRINTED NAME

VP
TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

APR 15 2005

VERIFICATION

STATE OF AZ

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>Maricopa</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>Jim Thomson VP</u>
COMPANY NAME
<u>Rio Verde Utilities, Inc</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2004</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

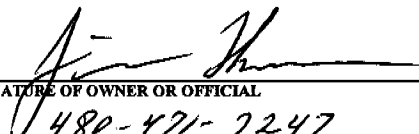
IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 1,342,554

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 77,254
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST
INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**


SIGNATURE OF OWNER OR OFFICIAL
480-471-7247
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

13th

DAY OF

COUNTY NAME	<u>MARICOPA</u>
MONTH	<u>APRIL</u>
	<u>2005</u>

(SEAL)



MY COMMISSION EXPIRES


SIGNATURE OF NOTARY PUBLIC

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

APR 15 2005

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <i>Maricopa</i>	
NAME (OWNER OR OFFICIAL) <i>Jim Thomson</i>	TITLE <i>VP</i>
COMPANY NAME <i>Rio Verde Utilities, Inc</i>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 527,912

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 29,213
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

Jim Thomson
SIGNATURE OF OWNER OR OFFICIAL
480-471-7247
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

13th

DAY OF

(SEAL)

MY COMMISSION EXPIRES



NOTARY PUBLIC NAME <i>DIANE LEDFORD</i>	
COUNTY NAME <i>MARICOPA</i>	
MONTH <i>APRIL</i>	<i>2005</i>

X *Diane Ledford*
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**



PARCEL/ACCOUNT # 622-80-000 4

PROPERTY DESCRIPTION

SEC/LOT TWN/BLK RNG/TR

TOTAL VALUE OF OPERATING PROPERTY

MARICOPA COUNTY
TREASURER

DOUG TODD, TREASURER
301 W JEFFERSON ST - RM 100
PHOENIX, AZ 85003-2199
http://treasurer.maricopa.gov
PHONE NUMBERS ON OTHER SIDE

MARICOPA COUNTY 2004 PROPERTY TAX STATEMENT

NOTICE: SEE REVERSE SIDE FOR
IMPORTANT INFORMATION.

\$25.00 CHARGE IF CHECK
FAILS TO CLEAR BANK.

YOUR CHECK IS YOUR RECEIPT.

RIO VERDE UTILITIES INC
25609 N DANNY LN STE 1
RIO VERDE, AZ 85263-8131

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2003 AMT	2004 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2004 AMT DUE	
LAND/BLDG PERSONAL EXEMPTION	16718 2299782	25.0	4180 574946	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	8255.30 2436.92 10118.56 4661.44	12108 04560 18931 9211	7012.08 2640.81 10962.86 5334.33	PRTKEY= SEQ= 21 MTG= LOAN# =
PRIM. TOT.	2316500		579126					
AREA CODE 000000				SUBTOTAL	23670.22	44810	25950.08	FIRST HALF TAX AMOUNT 13,833.97
FULL CASH (SECONDARY) VALUES				SECONDARY				
TYPE	FULL CASH	%	ASSESSED					
LAND/BLDG PERSONAL EXEMPTION	16718 2299782	25.0	4180 574946	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY "BONDS" - COUNTY - CITY - SCHOOLS - COMM COL. SUBTOTAL	8.28 619.98 36.18 269.16 361.64 710.36 2005.58	2119 1200 0069 0521 1161 5070	8.86 694.96 39.96 301.72 672.38 1717.88	SECOND HALF TAX AMOUNT 13,833.97
SEC. TOT.	2316500		579126					DUE OCT. 1, 2004 DELINQUENT AFTER NOV. 1, 2004
SPECIAL DISTRICT (VALUE/ACRES/SQ FT) = ASSESSED				DIST #				DUE MARCH 1, 2005 DELINQUENT AFTER MAY 2, 2005
								INTEREST ON LATE PAYMENT IS 16% PER YEAR PRORATED MONTHLY AS OF THE FIRST DAY OF THE MONTH. ARS § 42-18053
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT					25675.80	TOTALS	\$27,667.94	KEEP THIS PORTION FOR YOUR RECORDS

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and will make other reasonable accommodations upon request.

(11589 = PRTCNTL)

PAID

RIO VERDE UTILITIES, INC.

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2004 AND 2003

THOMAS D. WENTZ
Certified Public Accountant
207 W. Clarendon Ave, #21D
Phoenix, Arizona 85013

Board of Directors and Shareholders
Rio Verde Utilities, Inc.
Rio Verde, Arizona

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying balance sheets of Rio Verde Utilities, Inc. as of December 31, 2004 and 2003 and the related statements of earnings, stockholder's equity, and cash flows for the year then ended. These statements are the responsibility of the Company's management. My responsibility is to express an opinion on these statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rio Verde Utilities, Inc. as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.



Thomas D. Wentz
Certified Public Accountant

February 18, 2005

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	<u>2004</u>	<u>2003</u>
ASSETS		
PROPERTY, PLANT AND EQUIPMENT (NOTE 2,8)	\$13,090,870	\$12,939,126
Accumulated Depreciation	3,506,041	3,152,444
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>9,584,829</u>	<u>9,786,682</u>
CURRENT ASSETS		
Cash and Cash Equivalents	1,539,899	1,020,804
Accounts Receivable (\$0 allowance for Doubtful Accounts)	96,412	91,705
Unbilled Revenue	31,933	32,352
Materials and Supplies Inventory	1,583	1,062
Income Tax Refunds	0	54,575
Prepaid Expenses	36,251	44,732
TOTAL CURRENT ASSETS	<u>1,706,078</u>	<u>1,245,230</u>
OTHER ASSETS		
Plant Held For Future Use (Note 8)	1,583,867	1,583,867
Deferred Finance Fees (Note 3)	30,541	33,359
Restricted Cash (Note 4)	374,374	372,019
Restricted Cash - Construction Bond	0	97,140
Investment (Note 4)	109,534	85,243
Due From Related Party	3,925	3,925
Deposits	1,000	1,000
TOTAL OTHER ASSETS	<u>2,103,241</u>	<u>2,176,553</u>
TOTAL ASSETS	<u>\$13,394,148</u>	<u>\$13,208,465</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	<u>2004</u>	<u>2003</u>
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common Stock (\$1 par value, 10,000,000 shares Authorized: 2,840,721 Shares Issued and Outstanding	\$2,840,721	\$2,840,721
Retained Earnings	2,651,965	2,189,829
TOTAL STOCKHOLDERS' EQUITY	<u>5,492,686</u>	<u>5,030,550</u>
LONG-TERM DEBT (NET OF CURRENT MATURITIES) (NOTE 4)		
	<u>4,096,487</u>	<u>4,274,316</u>
CURRENT LIABILITIES		
Current Maturity of Long-Term Debt (Note 4)	186,607	173,280
Accounts Payable	66,989	163,464
Current Portion of Meter Deposits	22,500	22,000
Advances From Related Parties (Note 6)	0	38,291
Income Taxes Payable	53,528	724
Accrued Interest Payable	19,924	17,613
Accrued Property Taxes	24,874	26,575
Other Accrued Liabilities and Expenses	21,533	21,233
TOTAL CURRENT LIABILITIES	<u>395,955</u>	<u>463,180</u>
DEFERRED LIABILITIES		
Meter Deposits (Net of Current Portion)	110,589	102,944
Deferred Income Taxes and Investment Tax Credits (Note 5)	473,617	462,148
TOTAL DEFERRED LIABILITIES	<u>584,206</u>	<u>565,092</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>2,824,814</u>	<u>2,875,327</u>
TOTAL STOCKHOLDER'S EQUITY AND LIABILITIES	<u>\$13,394,148</u>	<u>\$13,208,465</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(SEE INDEPENDENT AUDITOR'S REPORT)

	<u>COMMON STOCK</u>		<u>RETAINED EARNINGS</u>
	<u>NUMBER OF SHARES</u>	<u>AMOUNT</u>	
BALANCE - DECEMBER 31, 2002	2,840,721	\$2,840,721	\$1,811,238
NET EARNINGS			378,591
BALANCE - DECEMBER 31, 2003	2,840,721	2,840,721	2,189,829
NET EARNINGS			462,136
BALANCE - DECEMBER 31, 2004	2,840,721	\$2,840,721	\$2,651,965

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF CASH FLOWS
INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED	
	DECEMBER 31	
	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$2,147,317	\$2,010,842
Cash Paid for Operations	(1,128,797)	(917,573)
Interest Received	14,491	10,292
Interest Paid	(260,336)	(266,458)
Income Taxes (Paid) Refund	(92,723)	(311,436)
Other Income	10,411	10,750
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>690,363</u>	<u>536,417</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(151,744)	(323,519)
NET CASH USED IN INVESTING ACTIVITIES	<u>(151,744)</u>	<u>(323,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long Term Debt	(164,502)	(152,020)
Payment of Restricted Cash - Construction Bond		(97,140)
Proceeds From Restricted Cash - Construction Bond	97,140	
Proceeds From Customer Meter Deposits	30,629	15,600
Proceeds From CIAC	55,500	
Receipt (Payment) of Advances From Related Company	(38,291)	(15,834)
NET CASH PROVIDED <USED> IN FINANCING ACTIVITIES	<u>(19,524)</u>	<u>(249,394)</u>
NET INCREASE <DECREASE> IN CASH	519,095	(36,496)
CASH AND CASH EQUIVALENTS - BEG OF YEAR	1,020,804	1,057,300
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,539,899</u>	<u>\$1,020,804</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF CASH FLOWS
RECONCILIATION OF NET EARNINGS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED	
	DECEMBER 31	
	<u>2004</u>	<u>2003</u>
NET EARNINGS	\$462,136	\$378,591
ADJUSTMENTS		
Depreciation and Amortization	250,402	250,076
Accounts Receivable	(26,772)	(40,423)
Inventory	(521)	735
Prepaid Income Taxes	54,575	(54,575)
Prepaid Expense	8,481	2,552
Restricted Cash	(2,355)	(1,493)
Investments	(24,291)	(25,086)
Accounts Payable	(96,475)	138,630
Accrued Property Taxes	(1,701)	6,774
Accrued Liabilities	300	169
CAP Surcharge Payable	0	(46,252)
Accrued Interest Payable	2,311	(1,335)
Income Taxes Payable	52,804	(128,243)
Deferred Income Taxes and Investment Tax Credits	11,469	56,297
TOTAL ADJUSTMENTS	<u>228,227</u>	<u>157,826</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$690,363</u>	<u>\$536,417</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a regulated utility providing water and sewer services in a certified area located in Rio Verde, Arizona. The Company's financial instruments that are exposed to credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company is wholly owned by Second Arizona Rio Verde Company, 1974.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Periodically, the Arizona Corporation Commission reviews the basis of the plant and equipment and may require adjustments for establishing rates the company may charge its customers. The Company has adjusted the basis of its assets to comply with the Arizona Corporation Commission orders. In accordance with standard accounting practices prescribed for water and sewer utilities, renewals and betterment are charged to plant accounts and the cost of depreciable property retired less salvage value is removed from the utility plant accounts and charged to accumulated depreciation.

Depreciation of property, plant and equipment is computed using the straight line method over the useful life of the assets as prescribed by the Arizona Corporation Commission.

Deferred Income Taxes

Income taxes have been provided for temporary differences between income tax and financial accounting. Temporary differences relate primarily to the different methods and useful lives used for the calculation of depreciation. Investment tax credits are deferred for financial statement reporting and amortized over the estimated useful life of the related property. (see note 5)

Customer Meter Deposits

The Company is refunding meter deposits received from customers in equal installments, without interest, over a ten-year period.

Revenue Recognition

Revenues are recognized as services are rendered. Rates and service charges are set by the Arizona Corporation Commission.

**RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions in Aid of Construction

Contributions in aid of construction are nonrefundable contributions by developers and customers for plant expansion. In addition, this amount includes the remaining balance, if any, of advances in aid of construction at the end of the repayment period. The contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation expense.

Accounting Records

The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners.

Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment are summarized below:

	2004	2003
Water Utility Plant		
Land	\$176,512	\$176,512
Construction Work in Process	332,922	377,137
Utility Plant	6,949,288	6,922,714
Transportation Equipment	37,343	37,343
	<hr/> 7,496,065	<hr/> 7,513,706
Accumulated Depreciation and Amortization	1,998,788	1,785,159
	<hr/>	<hr/>
Net Water Utility Plant	<u>\$5,497,277</u>	<u>\$5,728,547</u>

**RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2004</u>	<u>2003</u>
Note payable to CoBank due in monthly installments of principal and interest, final payment due May 20, 2016, interest is at a fixed of 9.8% on one-half of the outstanding balance and at a variable rate on the other half. The variable rate at December 31, 2004 was 5.25%. The note is secured by assignment of the capital stock and assets of the Company. The Company is required to maintain a debt service reserve account with the Lender.	\$1,525,206	\$1,600,337
Note payable to CoBank due in monthly installments of principal and interest, final payment due December 21, 2021, interest is variable and may be adjusted as interest rates fluctuate. The rate at December 31, 2004 was 5.25%. The note is secured by assignment of the capital stock and assets of the Company. The Company is required to maintain a debt service reserve account with the Lender.	2,275,370	2,344,584
9.8% note payable to Second Arizona Rio Verde Company, 1974 (the shareholder of the Company) due in monthly principal and interest installments of \$5,711, final payment due December 31, 2016.	<u>482,518</u>	<u>502,675</u>
Total Long-Term Debt	\$4,283,094	\$4,447,596
Current Portion	<u>186,607</u>	<u>173,280</u>
Long Term Portion	<u><u>\$4,096,487</u></u>	<u><u>\$4,274,316</u></u>

**RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2004</u>	<u>2003</u>
Note payable to CoBank due in monthly installments of principal and interest, final payment due May 20, 2016, interest is at a fixed of 9.8% on one-half of the outstanding balance and at a variable rate on the other half. The variable rate at December 31, 2004 was 5.25%. The note is secured by assignment of the capital stock and assets of the Company. The Company is required to maintain a debt service reserve account with the Lender.	\$1,525,206	\$1,600,337
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Total Long-Term Debt	\$4,283,094	\$4,447,596
Current Portion	186,607	173,280
Long Term Portion	<u>\$4,096,487</u>	<u>\$4,274,316</u>

RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 5 - INCOME TAXES (CONTINUED)

Certain items of income and expenses are recognized in different years for financial reporting and income tax purposes. Deferred income taxes are accounted for in recognition of these temporary differences.

As required by the regulatory agency, deferred investment tax credits are recognized for financial statement purposes in the year in which they are utilized for federal income taxes and amortized over the estimated remaining life of the assets from which the investment tax credit originated.

NOTE 6 - RELATED PARTY TRANSACTIONS

A related company provided management and office and administrative services in the amount of \$172,100 and \$172,270 in 2004 and 2003, respectively.

The Company has a long term note payable to a related Company (see note 4). Interest paid to a related company was \$48,373 and \$50,247 in 2004 and 2003, respectively.

NOTE 7 - SUPPLEMENTAL CASH FLOW INFORMATION

The Company engaged in the following non - cash transactions:

	<u>2004</u>	<u>2003</u>
Customer meter deposits refunds applied to amounts due from customers	\$22,484	\$22,140

NOTE 8 - REGULATORY RATE DECISION

The Arizona Corporation Commission granted the Company a rate increase effective May, 2001. The regulatory agency also determined that the Company had excess capacity and required the Company to remove the excess capacity from the rate base. All previously recorded depreciation and deferred income taxes relating to the excess plant capacity has also been reversed.

NOTE 9 - CAP SURCHARGE

During 1999, the Arizona Corporation Commission approved a surcharge to allow the Company to recover costs to purchase water from the Central Arizona Water Project. The order was appealed to the Arizona courts and was reversed by the court during 2001. The amounts were refunded in 2003.